



March 28, 2003

ENGROSSED SENATE BILL No. 232

DIGEST OF SB 232 (Updated March 26, 2003 10:47 AM - DI 103)

Citations Affected: IC 6-3.1; IC 36-7; noncode.

Synopsis: Community revitalization enhancement districts. Establishes a definition of "pass through entity" for purposes of the income tax credit for qualified investments in a community revitalization enhancement district (CRED district). Allows a first class or second class city to establish a CRED district in order to address certain obstacles to redevelopment. Permits a city that is authorized to establish a CRED district under current law to establish one additional district if the city also meets the criteria set forth in this bill. Provides that districts established under the bill are to receive 75% (instead of 100%) of the sales tax and income tax incremental amounts generated in the district. Specifies that the \$1,000,000 per year cap on incremental revenues is per district (instead of per county).

Effective: January 1, 2003 (retroactive); July 1, 2003.

**Riegsecker, Broden, Zakas, Meeks R,
Clark, Craycraft, Simpson, Long,
Wyss, Howard, Lanane**

(HOUSE SPONSORS — CRAWFORD, NEESE, ADAMS T, BORROR)

January 9, 2003, read first time and referred to Committee on Governmental Affairs and Interstate Cooperation.

February 6, 2003, amended, reported favorably — Do Pass; pursuant to Senate Rule 65(b), reassigned to Committee on Finance.

February 27, 2003, amended, reported favorably — Do Pass.

March 3, 2003, read second time, ordered engrossed. Engrossed.

March 4, 2003, read third time, passed. Yeas 45, nays 3.

HOUSE ACTION

March 13, 2003, read first time and referred to Committee on Commerce and Economic Development.

March 27, 2003, reported — Do Pass. Recommended to Committee on Ways and Means.

ES 232—LS 6777/DI 103+



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March 28, 2003

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

ENGROSSED SENATE BILL No. 232

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-19-1.5 IS ADDED TO THE INDIANA
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
3 [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 1.5. As**
4 **used in this chapter, "pass through entity" means:**

- 5 (1) **a corporation that is exempt from the adjusted gross**
6 **income tax under IC 6-3-2-2.8(2);**
7 (2) **a partnership;**
8 (3) **a limited liability company; or**
9 (4) **a limited liability partnership.**

10 SECTION 2. IC 6-3.1-19-2.5 IS ADDED TO THE INDIANA
11 CODE AS A **NEW** SECTION TO READ AS FOLLOWS
12 [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 2.5. As**
13 **used in this chapter, "taxpayer" means an individual or entity that**
14 **has any state and local tax liability.**

15 SECTION 3. IC 6-3.1-19-3 IS AMENDED TO READ AS
16 FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]:
17 Sec. 3. (a) Subject to section 5 of this chapter, a taxpayer is entitled to

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a credit against the taxpayer's state and local tax liability for a taxable year if the taxpayer makes a qualified investment in that year.

(b) The amount of the credit to which a taxpayer is entitled is the qualified investment made by the taxpayer during the taxable year multiplied by twenty-five percent (25%).

(c) A taxpayer may assign any part of the credit to which the taxpayer is entitled under this chapter to a lessee of property redeveloped or rehabilitated under section 2 of this chapter. A credit that is assigned under this subsection remains subject to this chapter.

(d) An assignment under subsection (c) must be in writing and both the taxpayer and the lessee must report the assignment on their state tax return for the year in which the assignment is made, in the manner prescribed by the department. The taxpayer may not receive value in connection with the assignment under subsection (c) that exceeds the value of the part of the credit assigned.

(e) If a pass through entity is entitled to a credit under this chapter but does not have state and local tax liability against which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

The credit provided under this subsection is in addition to a tax credit to which a shareholder, partner, or member of a pass through entity is otherwise entitled under this chapter. However, a pass through entity and an individual who is a shareholder, partner, or member of the pass through entity may not claim more than one (1) credit for the same investment.

SECTION 4. IC 36-7-13-1.6, AS AMENDED BY P.L.174-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 1.6. As used in this chapter, "district" refers to a community revitalization enhancement district designated under section 10.5, ~~or~~ 12, **or 12.1** of this chapter.

SECTION 5. IC 36-7-13-2.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 2.6. **(a) Except as provided in subsection (b),** as used in this chapter, "gross retail incremental amount" means the remainder of:

(1) the aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in a district during a state fiscal year; minus

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(2) the gross retail base period amount;
as determined by the department of state revenue under section 14 of
this chapter.

(b) For purposes of a district designated under section 12.1 of this chapter, "gross retail incremental amount" means seventy-five percent (75%) of the amount described in subsection (a).

SECTION 6. IC 36-7-13-3, AS AMENDED BY P.L.113-2002, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3. (a) For purposes of this chapter, "improve" means to construct, reconstruct, or repair public ways, sidewalks, sewers, drains, fences, or buildings, and to do all other things that would enhance the value of real property and make it more suitable to industrial use.

(b) A unit may acquire by purchase, gift, or devise, and own, improve, maintain, sell, lease, convey, contract for, or otherwise deal in, real property for the development of industrial parks or industrial sites.

(c) A municipality may exercise powers granted by subsection (b) in areas within five (5) miles outside its corporate boundaries.

(d) When a district is designated under section 12(e) of this chapter, a unit may expend funds for the purposes set forth in subsections (a) and (b) for the development of or to enhance the value of real property used for retail purposes.

(e) When a district is designated under section 12.1 of this chapter, a unit may expend funds for the purposes set forth in section 12.1(b) of this chapter for the development of or to enhance the value of real property used for retail purposes and to make it more suitable to industrial or retail use.

SECTION 7. IC 36-7-13-3.4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3.4. **(a) Except as provided in subsection (b),** as used in this chapter, "income tax incremental amount" means the remainder of:

(1) the aggregate amount of state and local income taxes paid by employees employed in a district with respect to wages earned for work in the district for a particular state fiscal year; minus

(2) the income tax base period amount;

as determined by the department of state revenue under section 14 of this chapter.

(b) For purposes of a district designated under section 12.1 of this chapter, "income tax incremental amount" means seventy-five percent (75%) of the amount described in subsection (a).

SECTION 8. IC 36-7-13-10.1 IS ADDED TO THE INDIANA



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CODE AS A NEW SECTION TO READ AS FOLLOWS
[EFFECTIVE JULY 1, 2003]: **Sec. 10.1. (a) This section applies to a:**

(1) first class city; or

(2) second class city.

(b) After approval by ordinance or resolution of the legislative body of a city described in subsection (a), the executive of the city may submit an application to an advisory commission on industrial development requesting that one (1) area within the city be designated as a district under section 12.1 of this chapter, regardless of whether another area in the city has also been designated as a district under section 10.5 or 12 of this chapter.

SECTION 9. IC 36-7-13-11, AS AMENDED BY P.L.174-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 11. If a municipal or county executive submits an application requesting an area to be designated as a district under this chapter, the advisory commission on industrial development shall do the following:

(1) Compile information necessary to make a determination concerning whether the area meets the conditions necessary for designation as a district.

(2) Prepare maps showing the boundaries of the proposed district.

(3) Prepare a plan describing the ways in which the development obstacles described in section 12(b)(3), 12(c), 12(d), ~~or~~ 12(e), **or 12.1(a)** of this chapter in the proposed district will be addressed.

SECTION 10. IC 36-7-13-12, AS AMENDED BY P.L.170-2002, SECTION 159, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 12. (a) If a municipal or county executive has submitted an application to an advisory commission on industrial development requesting that an area be designated as a district under this chapter and the advisory commission has compiled and prepared the information required under section 11 of this chapter concerning the area, the advisory commission may adopt a resolution designating the area as a district if it makes the findings described in subsection (b), (c), (d), or (e). In a county described in subsection (c), an advisory commission may designate more than one (1) district under subsection (c).

(b) For an area located in a county having a population of more than one hundred twenty thousand (120,000) but less than one hundred thirty thousand (130,000), an advisory commission may adopt a resolution designating a particular area as a district only after finding all of the following:

(1) The area contains a building or buildings:



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- 1 (A) with at least one million (1,000,000) square feet of usable
 2 interior floor space; and
 3 (B) that is or are vacant or will become vacant due to the
 4 relocation of an employer.
- 5 (2) At least one thousand (1,000) fewer persons are employed in
 6 the area than were employed in the area during the year that is ten
 7 (10) years previous to the current year.
- 8 (3) There are significant obstacles to redevelopment of the area
 9 due to any of the following problems:
 10 (A) Obsolete or inefficient buildings.
 11 (B) Aging infrastructure or inefficient utility services.
 12 (C) Utility relocation requirements.
 13 (D) Transportation or access problems.
 14 (E) Topographical obstacles to redevelopment.
 15 (F) Environmental contamination.
- 16 (4) The unit has expended, appropriated, pooled, set aside, or
 17 pledged at least one hundred thousand dollars (\$100,000) for
 18 purposes of addressing the redevelopment obstacles described in
 19 subdivision (3).
- 20 (5) The area is located in a county having a population of more
 21 than one hundred twenty thousand (120,000) but less than one
 22 hundred thirty thousand (130,000).
- 23 (c) For a county having a population of more than one hundred
 24 eighteen thousand (118,000) but less than one hundred twenty
 25 thousand (120,000), an advisory commission may adopt a resolution
 26 designating not more than two (2) areas as districts. An advisory
 27 commission may designate an area as a district only after finding the
 28 following:
 29 (1) The area meets either of the following conditions:
 30 (A) The area contains a building with at least seven hundred
 31 ninety thousand (790,000) square feet, and at least eight
 32 hundred (800) fewer people are employed in the area than
 33 were employed in the area during the year that is ~~ten (10)~~
 34 **fifteen (15)** years previous to the current year.
 35 (B) The area contains a building with at least four hundred
 36 forty thousand (440,000) square feet, and at least four hundred
 37 (400) fewer people are employed in the area than were
 38 employed in the area during the year that is ~~ten (10)~~ **fifteen**
 39 **(15)** years previous to the current year.
 40 (2) The area is located in or is adjacent to an industrial park.
 41 (3) There are significant obstacles to redevelopment of the area
 42 due to any of the following problems:



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- 1 (A) Obsolete or inefficient buildings.
- 2 (B) Aging infrastructure or inefficient utility services.
- 3 (C) Utility relocation requirements.
- 4 (D) Transportation or access problems.
- 5 (E) Topographical obstacles to redevelopment.
- 6 (F) Environmental contamination.
- 7 (4) The area is located in a county having a population of more
- 8 than one hundred eighteen thousand (118,000) but less than one
- 9 hundred twenty thousand (120,000).
- 10 (d) For an area located in a county having a population of more than
- 11 two hundred thousand (200,000) but less than three hundred thousand
- 12 (300,000), an advisory commission may adopt a resolution designating
- 13 a particular area as a district only after finding all of the following:
- 14 (1) The area contains a building or buildings:
- 15 (A) with at least one million five hundred thousand
- 16 (1,500,000) square feet of usable interior floor space; and
- 17 (B) that is or are vacant or will become vacant.
- 18 (2) At least eighteen thousand (18,000) fewer persons are
- 19 employed in the area at the time of application than were
- 20 employed in the area before the time of application.
- 21 (3) There are significant obstacles to redevelopment of the area
- 22 due to any of the following problems:
- 23 (A) Obsolete or inefficient buildings.
- 24 (B) Aging infrastructure or inefficient utility services.
- 25 (C) Utility relocation requirements.
- 26 (D) Transportation or access problems.
- 27 (E) Topographical obstacles to redevelopment.
- 28 (F) Environmental contamination.
- 29 (4) The unit has expended, appropriated, pooled, set aside, or
- 30 pledged at least one hundred thousand dollars (\$100,000) for
- 31 purposes of addressing the redevelopment obstacles described in
- 32 subdivision (3).
- 33 (5) The area is located in a county having a population of more
- 34 than two hundred thousand (200,000) but less than three hundred
- 35 thousand (300,000).
- 36 (e) For an area located in a county having a population of more than
- 37 three hundred thousand (300,000) but less than four hundred thousand
- 38 (400,000), an advisory commission may adopt a resolution designating
- 39 a particular area as a district only after finding all of the following:
- 40 (1) The area contains a building or buildings:
- 41 (A) with at least eight hundred thousand (800,000) gross
- 42 square feet; and

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- 1 (B) having leasable floor space, at least fifty percent (50%) of
 2 which is or will become vacant.
- 3 (2) There are significant obstacles to redevelopment of the area
 4 due to any of the following problems:
- 5 (A) Obsolete or inefficient buildings as evidenced by a decline
 6 of at least seventy-five percent (75%) in their assessed
 7 valuation during the preceding ten (10) years.
- 8 (B) Transportation or access problems.
- 9 (C) Environmental contamination.
- 10 (3) At least four hundred (400) fewer persons are employed in the
 11 area than were employed in the area during the year that is fifteen
 12 (15) years previous to the current year.
- 13 (4) The area has been designated as an economic development
 14 target area under IC 6-1.1-12.1-7.
- 15 (5) The unit has appropriated, pooled, set aside, or pledged at
 16 least two hundred fifty thousand dollars (\$250,000) for purposes
 17 of addressing the redevelopment obstacles described in
 18 subdivision (2).
- 19 (6) The area is located in a county having a population of more
 20 than three hundred thousand (300,000) but less than four hundred
 21 thousand (400,000).
- 22 (f) The advisory commission, or the county or municipal legislative
 23 body, in the case of a district designated under section 10.5 of this
 24 chapter, shall designate the duration of the district, but the duration
 25 may not exceed fifteen (15) years (at the time of designation).
- 26 (g) Upon adoption of a resolution designating a district, the advisory
 27 commission shall submit the resolution to the budget committee for
 28 review and recommendation to the budget agency.
- 29 (h) When considering a resolution, the budget committee and the
 30 budget agency must make the following findings:
- 31 (1) The area to be designated as a district meets the conditions
 32 necessary for designation as a district.
- 33 (2) The designation of the district will benefit the people of
 34 Indiana by protecting or increasing state and local tax bases and
 35 tax revenues for at least the duration of the district.
- 36 (i) The income tax incremental amount and the gross retail
 37 incremental amount may not be allocated to the district until the budget
 38 agency approves the resolution.
- 39 SECTION 11. IC 36-7-13-12.1 IS ADDED TO THE INDIANA
 40 CODE AS A NEW SECTION TO READ AS FOLLOWS
 41 [EFFECTIVE JULY 1, 2003]: **Sec. 12.1. (a) If the executive of a city**
 42 **described in section 10.1(a) of this chapter has submitted an**

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1 application to an advisory commission on industrial development
 2 requesting that an area be designated as a district under this
 3 chapter and the advisory commission has compiled and prepared
 4 the information required under section 11 of this chapter
 5 concerning the area, the advisory commission may adopt a
 6 resolution designating the area as a district if it finds the following:

7 (1) That the redevelopment of the area in the district will:

8 (A) promote significant opportunities for the gainful
 9 employment of its citizens;

10 (B) attract a major new business enterprise to the area; or

11 (C) retain or expand a significant business enterprise
 12 within the area.

13 (2) That there are significant obstacles to redevelopment of
 14 the area due to any of the following problems:

15 (A) Obsolete or inefficient buildings.

16 (B) Aging infrastructure or ineffective utility services.

17 (C) Utility relocation requirements.

18 (D) Transportation or access problems.

19 (E) Topographical obstacles to redevelopment.

20 (F) Environmental contamination.

21 (G) Lack of development or cessation of growth.

22 (H) Deterioration of improvements or character of
 23 occupancy, age, obsolescence, or substandard buildings.

24 (I) Other factors that have impaired values or prevent a
 25 normal development of property or use of property.

26 (b) To address the obstacles identified in subsection (a)(2), the
 27 city may make expenditures for:

28 (1) the acquisition of land;

29 (2) interests in land;

30 (3) site improvements;

31 (4) infrastructure improvements;

32 (5) buildings;

33 (6) structures;

34 (7) rehabilitation, renovation, and enlargement of buildings
 35 and structures;

36 (8) machinery;

37 (9) equipment;

38 (10) furnishings;

39 (11) facilities;

40 (12) administration expenses associated with such a project;

41 (13) operating expenses; or

42 (14) substance removal or remedial action to the area.



(c) In addition to the findings described in subsection (a), an advisory commission must also find that the city described in section 10.1(a) of this chapter has expended, appropriated, pooled, set aside, or pledged at least one hundred thousand dollars (\$100,000) for purposes of addressing the redevelopment obstacles described in subsection (a)(2).

(d) The advisory commission shall designate the duration of the district, but the duration may not exceed fifteen (15) years (at the time of designation).

(e) Upon adoption of a resolution designating a district, the advisory commission shall submit the resolution to the budget committee for review and recommendation to the budget agency.

(f) When considering a resolution, the budget committee and the budget agency must make the following findings:

(1) The area to be designated as a district meets the conditions necessary for designation as a district.

(2) The designation of the district will benefit the people of Indiana by protecting or increasing state and local tax bases and tax revenues for at least the duration of the district.

(g) The income tax incremental amount and the gross retail incremental amount may not be allocated to the district until the budget agency approves the resolution.

SECTION 12. IC 36-7-13-13, AS AMENDED BY P.L.174-2001, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 13. (a) If an advisory commission on industrial development designates a district under section 12 **or 12.1** of this chapter or if the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the advisory commission, or the legislative body in the case of a district designated under section 10.5 of this chapter, shall send a certified copy of the resolution or ordinance designating the district to the department of state revenue by certified mail and shall include with the resolution a complete list of the following:

(1) Employers in the district.

(2) Street names and the range of street numbers of each street in the district.

The advisory commission, or the legislative body in the case of a district designated under section 10.5 of this chapter, shall update the list before July 1 of each year.

(b) Not later than sixty (60) days after receiving a copy of the resolution or ordinance designating a district, the department of state revenue shall determine the gross retail base period amount and the

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income tax base period amount.

SECTION 13. IC 36-7-13-15, AS AMENDED BY P.L.192-2002(ss), SECTION 175, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 15. (a) If an advisory commission on industrial development designates a district under this chapter or the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the treasurer of state shall establish an incremental tax financing fund for the ~~county~~ **district**. The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for the ~~county~~ **district** under subsection (a):

(1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the district, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the district.

(2) The aggregate amount of state and local income taxes paid by employees employed in the district with respect to wages earned for work in the district, until the amount of state and local income taxes deposited equals the income tax incremental amount.

(c) The aggregate amount of revenues that is:

(1) attributable to:

(A) the state gross retail and use taxes established under IC 6-2.5; and

(B) the adjusted gross income tax established under IC 6-3-1 through IC 6-3-7; and

(2) deposited during any state fiscal year in each incremental tax financing fund established for a ~~county~~ **district**;

may not exceed one million dollars (\$1,000,000) per ~~county~~ **district**.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a ~~county~~ **district** shall be distributed to the district's advisory commission on industrial development for deposit in the industrial development fund of the unit that requested designation of the district.

SECTION 14. IC 36-7-13-16, AS AMENDED BY P.L.174-2001, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 16. (a) A unit may issue bonds or other obligations to finance the costs of addressing the development obstacles described in section 12(b)(3), 12(c), 12(d)(3), ~~or~~ 12(e)(2), **or 12.1(a)** of this chapter in the district.



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1 (b) The district bonds are special obligations of indebtedness of the
2 district. The district bonds issued under this section, and interest on the
3 district bonds, are payable solely out of amounts deposited in the
4 industrial development fund under this chapter.

5 SECTION 15. [EFFECTIVE JANUARY 1, 2003
6 (RETROACTIVE)]: **IC 6-3.1-19-1.5 and IC 6-3.1-19-2.5, both as**
7 **added by this act, and IC 6-3.1-19-3, as amended by this act, apply**
8 **to taxable years beginning after December 31, 2002.**

9 SECTION 16. **An emergency is declared for this act.**

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SENATE MOTION

Mr. President: I move that Senator Broden be added as coauthor of Senate Bill 232.

RIEGSECKER

SENATE MOTION

Mr. President: I move that Senators Zakas, Meeks R and Clark be added as coauthors of Senate Bill 232.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Governmental Affairs and Interstate Cooperation, to which was referred Senate Bill No. 232, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, line 9, reset in roman "or".

Page 1, line 11, delete "or".

Page 1, delete lines 12 through 14.

Page 1, after line 17, begin a new paragraph and insert:

"(b) After approval by ordinance or resolution of the legislative body of a municipality located in a county described in section 10.1 of this chapter, the executive of the municipality may submit to an advisory commission on industrial development an application requesting that an area within the municipality be designated as a district."

Page 2, line 1, strike "(b)" and insert "(c)".

Page 2, between lines 9 and 10, begin a new paragraph and insert:

"SECTION 2. IC 36-7-13-10.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 10.1. (a) This section applies to a municipality located in a county that contains:

(1) a manufacturing-concentrated workforce that exceeds forty percent (40%) of the workforce in the county; and

(2) a building or buildings:

(A) with at least nine hundred thousand (900,000) square feet of usable space;

(B) that have been vacant for at least one (1) year due to the relocation of an employer, and

(C) that were originally constructed before 1940.

(b) The general assembly finds that:

(1) the state economy has suffered due to a significant loss of manufacturing jobs between January 1, 2000, and December 31, 2002;

(2) counties with a high manufacturing-concentrated workforce relative to similarly situated Indiana counties are at a greater risk of experiencing economic difficulties in the event of an economic downturn in the United States or Indiana; and

(3) municipalities located in counties described in subdivision

(2) possess unique economic challenges that require state intervention to attract and retain jobs and revitalize



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neighborhoods."

Page 5, line 7, delete "having a population of more" and insert **"described in section 10.1 of this chapter,"**.

Page 5, delete line 8.

Page 5, line 9, delete "(182,790) but less than two hundred thousand (200,000),".

Page 5, line 13, delete "one million (1,000,000)" and insert **"nine hundred thousand (900,000)"**.

Page 5, line 32, delete "having a population of" and insert **"described in section 10.1 of this chapter."**.

Page 5, delete lines 33 through 35.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass and be reassigned to the Senate Committee on Finance.

(Reference is to SB 232 as introduced.)

RIEGSECKER, Chairperson

Committee Vote: Yeas 10, Nays 0.

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REPORT OF THE PRESIDENT
PRO TEMPORE

Mr. President: Pursuant to Senate Rule 65(b), I hereby report that, subsequent to the adoption of the Governmental Affairs and Interstate Cooperation Committee Report on February 6, 2003, Senate Bill 302 was reassigned to the Committee on Finance.

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SENATE MOTION

Mr. President: I move that Senator Craycraft be added as coauthor of Senate Bill 232.

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COMMITTEE REPORT

Mr. President: The Senate Committee on Finance, to which was referred Senate Bill No. 232, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 1, delete lines 1 through 17, begin a new paragraph and insert:

"SECTION 1. IC 6-3.1-19-1.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 1.5. As used in this chapter, "pass through entity" means:**

- (1) a corporation that is exempt from the adjusted gross income tax under IC 6-3-2-2.8(2);**
- (2) a partnership;**
- (3) a limited liability company; or**
- (4) a limited liability partnership.**

SECTION 2. IC 6-3.1-19-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **Sec. 2.5. As used in this chapter, "taxpayer" means an individual or entity that has any state and local tax liability.**

SECTION 3. IC 6-3.1-19-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: Sec. 3. (a) Subject to section 5 of this chapter, a taxpayer is entitled to a credit against the taxpayer's state and local tax liability for a taxable year if the taxpayer makes a qualified investment in that year.

(b) The amount of the credit to which a taxpayer is entitled is the qualified investment made by the taxpayer during the taxable year multiplied by twenty-five percent (25%).

(c) A taxpayer may assign any part of the credit to which the taxpayer is entitled under this chapter to a lessee of property redeveloped or rehabilitated under section 2 of this chapter. A credit that is assigned under this subsection remains subject to this chapter.

(d) An assignment under subsection (c) must be in writing and both the taxpayer and the lessee must report the assignment on their state tax return for the year in which the assignment is made, in the manner prescribed by the department. The taxpayer may not receive value in connection with the assignment under subsection (c) that exceeds the value of the part of the credit assigned.

(e) If a pass through entity is entitled to a credit under this chapter but does not have state and local tax liability against which the tax credit may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

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- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

The credit provided under this subsection is in addition to a tax credit to which a shareholder, partner, or member of a pass through entity is otherwise entitled under this chapter. However, a pass through entity and an individual who is a shareholder, partner, or member of the pass through entity may not claim more than one (1) credit for the same investment.

SECTION 4. IC 36-7-13-1.6, AS AMENDED BY P.L.174-2001, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 1.6. As used in this chapter, "district" refers to a community revitalization enhancement district designated under section 10.5, ~~or 12, or 12.1~~ of this chapter.

SECTION 5. IC 36-7-13-2.6 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 2.6. **(a) Except as provided in subsection (b),** as used in this chapter, "gross retail incremental amount" means the remainder of:

- (1) the aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in a district during a state fiscal year; minus
- (2) the gross retail base period amount;

as determined by the department of state revenue under section 14 of this chapter.

(b) For purposes of a district designated under section 12.1 of this chapter, "gross retail incremental amount" means seventy-five percent (75%) of the amount described in subsection (a).

SECTION 6. IC 36-7-13-3, AS AMENDED BY P.L.113-2002, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3. (a) For purposes of this chapter, "improve" means to construct, reconstruct, or repair public ways, sidewalks, sewers, drains, fences, or buildings, and to do all other things that would enhance the value of real property and make it more suitable to industrial use.

(b) A unit may acquire by purchase, gift, or devise, and own, improve, maintain, sell, lease, convey, contract for, or otherwise deal in, real property for the development of industrial parks or industrial sites.

(c) A municipality may exercise powers granted by subsection (b) in areas within five (5) miles outside its corporate boundaries.



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(d) When a district is designated under section 12(e) of this chapter, a unit may expend funds for the purposes set forth in subsections (a) and (b) for the development of or to enhance the value of real property used for retail purposes.

(e) When a district is designated under section 12.1 of this chapter, a unit may expend funds for the purposes set forth in section 12.1(b) of this chapter for the development of or to enhance the value of real property used for retail purposes and to make it more suitable to industrial or retail use.

SECTION 7. IC 36-7-13-3.4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 3.4. **(a) Except as provided in subsection (b),** as used in this chapter, "income tax incremental amount" means the remainder of:

- (1) the aggregate amount of state and local income taxes paid by employees employed in a district with respect to wages earned for work in the district for a particular state fiscal year; minus
- (2) the income tax base period amount;

as determined by the department of state revenue under section 14 of this chapter.

(b) For purposes of a district designated under section 12.1 of this chapter, "income tax incremental amount" means seventy-five percent (75%) of the amount described in subsection (a)."

Page 2, delete lines 1 through 12.

Page 2, line 15, delete "a" and insert "a:".

Page 2, delete lines 16 through 42, begin a new line block indented and insert:

- "(1) first class city; or**
- (2) second class city.**

(b) After approval by ordinance or resolution of the legislative body of a city described in subsection (a), the executive of the city may submit an application to an advisory commission on industrial development requesting that one (1) area within the city be designated as a district under section 12.1 of this chapter, regardless of whether another area in the city has also been designated as a district under section 10.5 or 12 of this chapter.

SECTION 9. IC 36-7-13-11, AS AMENDED BY P.L.174-2001, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 11. If a municipal or county executive submits an application requesting an area to be designated as a district under this chapter, the advisory commission on industrial development shall do the following:

- (1) Compile information necessary to make a determination



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concerning whether the area meets the conditions necessary for designation as a district.

(2) Prepare maps showing the boundaries of the proposed district.

(3) Prepare a plan describing the ways in which the development obstacles described in section 12(b)(3), 12(c), 12(d), ~~or~~ 12(e), **or**

12.1(a) of this chapter in the proposed district will be addressed.

SECTION 10. IC 36-7-13-12, AS AMENDED BY P.L.170-2002, SECTION 159, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 12. (a) If a municipal or county executive has submitted an application to an advisory commission on industrial development requesting that an area be designated as a district under this chapter and the advisory commission has compiled and prepared the information required under section 11 of this chapter concerning the area, the advisory commission may adopt a resolution designating the area as a district if it makes the findings described in subsection (b), (c), (d), or (e). In a county described in subsection (c), an advisory commission may designate more than one (1) district under subsection (c).

(b) For an area located in a county having a population of more than one hundred twenty thousand (120,000) but less than one hundred thirty thousand (130,000), an advisory commission may adopt a resolution designating a particular area as a district only after finding all of the following:

- (1) The area contains a building or buildings:
 - (A) with at least one million (1,000,000) square feet of usable interior floor space; and
 - (B) that is or are vacant or will become vacant due to the relocation of an employer.
- (2) At least one thousand (1,000) fewer persons are employed in the area than were employed in the area during the year that is ten (10) years previous to the current year.
- (3) There are significant obstacles to redevelopment of the area due to any of the following problems:
 - (A) Obsolete or inefficient buildings.
 - (B) Aging infrastructure or inefficient utility services.
 - (C) Utility relocation requirements.
 - (D) Transportation or access problems.
 - (E) Topographical obstacles to redevelopment.
 - (F) Environmental contamination.
- (4) The unit has expended, appropriated, pooled, set aside, or pledged at least one hundred thousand dollars (\$100,000) for purposes of addressing the redevelopment obstacles described in

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subdivision (3).

(5) The area is located in a county having a population of more than one hundred twenty thousand (120,000) but less than one hundred thirty thousand (130,000).

(c) For a county having a population of more than one hundred eighteen thousand (118,000) but less than one hundred twenty thousand (120,000), an advisory commission may adopt a resolution designating not more than two (2) areas as districts. An advisory commission may designate an area as a district only after finding the following:

(1) The area meets either of the following conditions:

(A) The area contains a building with at least seven hundred ninety thousand (790,000) square feet, and at least eight hundred (800) fewer people are employed in the area than were employed in the area during the year that is ~~ten (10)~~ **fifteen (15)** years previous to the current year.

(B) The area contains a building with at least four hundred forty thousand (440,000) square feet, and at least four hundred (400) fewer people are employed in the area than were employed in the area during the year that is ~~ten (10)~~ **fifteen (15)** years previous to the current year.

(2) The area is located in or is adjacent to an industrial park.

(3) There are significant obstacles to redevelopment of the area due to any of the following problems:

(A) Obsolete or inefficient buildings.

(B) Aging infrastructure or inefficient utility services.

(C) Utility relocation requirements.

(D) Transportation or access problems.

(E) Topographical obstacles to redevelopment.

(F) Environmental contamination.

(4) The area is located in a county having a population of more than one hundred eighteen thousand (118,000) but less than one hundred twenty thousand (120,000).

(d) For an area located in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000), an advisory commission may adopt a resolution designating a particular area as a district only after finding all of the following:

(1) The area contains a building or buildings:

(A) with at least one million five hundred thousand (1,500,000) square feet of usable interior floor space; and

(B) that is or are vacant or will become vacant.

(2) At least eighteen thousand (18,000) fewer persons are

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employed in the area at the time of application than were employed in the area before the time of application.

(3) There are significant obstacles to redevelopment of the area due to any of the following problems:

- (A) Obsolete or inefficient buildings.
- (B) Aging infrastructure or inefficient utility services.
- (C) Utility relocation requirements.
- (D) Transportation or access problems.
- (E) Topographical obstacles to redevelopment.
- (F) Environmental contamination.

(4) The unit has expended, appropriated, pooled, set aside, or pledged at least one hundred thousand dollars (\$100,000) for purposes of addressing the redevelopment obstacles described in subdivision (3).

(5) The area is located in a county having a population of more than two hundred thousand (200,000) but less than three hundred thousand (300,000).

(e) For an area located in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000), an advisory commission may adopt a resolution designating a particular area as a district only after finding all of the following:

- (1) The area contains a building or buildings:
 - (A) with at least eight hundred thousand (800,000) gross square feet; and
 - (B) having leasable floor space, at least fifty percent (50%) of which is or will become vacant.
- (2) There are significant obstacles to redevelopment of the area due to any of the following problems:
 - (A) Obsolete or inefficient buildings as evidenced by a decline of at least seventy-five percent (75%) in their assessed valuation during the preceding ten (10) years.
 - (B) Transportation or access problems.
 - (C) Environmental contamination.

(3) At least four hundred (400) fewer persons are employed in the area than were employed in the area during the year that is fifteen (15) years previous to the current year.

(4) The area has been designated as an economic development target area under IC 6-1.1-12.1-7.

(5) The unit has appropriated, pooled, set aside, or pledged at least two hundred fifty thousand dollars (\$250,000) for purposes of addressing the redevelopment obstacles described in subdivision (2).

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(6) The area is located in a county having a population of more than three hundred thousand (300,000) but less than four hundred thousand (400,000).

(f) The advisory commission, or the county or municipal legislative body, in the case of a district designated under section 10.5 of this chapter, shall designate the duration of the district, but the duration may not exceed fifteen (15) years (at the time of designation).

(g) Upon adoption of a resolution designating a district, the advisory commission shall submit the resolution to the budget committee for review and recommendation to the budget agency.

(h) When considering a resolution, the budget committee and the budget agency must make the following findings:

(1) The area to be designated as a district meets the conditions necessary for designation as a district.

(2) The designation of the district will benefit the people of Indiana by protecting or increasing state and local tax bases and tax revenues for at least the duration of the district.

(i) The income tax incremental amount and the gross retail incremental amount may not be allocated to the district until the budget agency approves the resolution.

SECTION 11. IC 36-7-13-12.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 12.1. (a) If the executive of a city described in section 10.1(a) of this chapter has submitted an application to an advisory commission on industrial development requesting that an area be designated as a district under this chapter and the advisory commission has compiled and prepared the information required under section 11 of this chapter concerning the area, the advisory commission may adopt a resolution designating the area as a district if it finds the following:**

(1) That the redevelopment of the area in the district will:

(A) promote significant opportunities for the gainful employment of its citizens;

(B) attract a major new business enterprise to the area; or

(C) retain or expand a significant business enterprise within the area.

(2) That there are significant obstacles to redevelopment of the area due to any of the following problems:

(A) Obsolete or inefficient buildings.

(B) Aging infrastructure or ineffective utility services.

(C) Utility relocation requirements.

(D) Transportation or access problems.



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- (E) Topographical obstacles to redevelopment.
- (F) Environmental contamination.
- (G) Lack of development or cessation of growth.
- (H) Deterioration of improvements or character of occupancy, age, obsolescence, or substandard buildings.
- (I) Other factors that have impaired values or prevent a normal development of property or use of property.

(b) To address the obstacles identified in subsection (a)(2), the city may make expenditures for:

- (1) the acquisition of land;
- (2) interests in land;
- (3) site improvements;
- (4) infrastructure improvements;
- (5) buildings;
- (6) structures;
- (7) rehabilitation, renovation, and enlargement of buildings and structures;
- (8) machinery;
- (9) equipment;
- (10) furnishings;
- (11) facilities;
- (12) administration expenses associated with such a project;
- (13) operating expenses; or
- (14) substance removal or remedial action to the area.

(c) In addition to the findings described in subsection (a), an advisory commission must also find that the city described in section 10.1(a) of this chapter has expended, appropriated, pooled, set aside, or pledged at least one hundred thousand dollars (\$100,000) for purposes of addressing the redevelopment obstacles described in subsection (a)(2).

(d) The advisory commission shall designate the duration of the district, but the duration may not exceed fifteen (15) years (at the time of designation).

(e) Upon adoption of a resolution designating a district, the advisory commission shall submit the resolution to the budget committee for review and recommendation to the budget agency.

(f) When considering a resolution, the budget committee and the budget agency must make the following findings:

- (1) The area to be designated as a district meets the conditions necessary for designation as a district.
- (2) The designation of the district will benefit the people of Indiana by protecting or increasing state and local tax bases



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and tax revenues for at least the duration of the district.

(g) The income tax incremental amount and the gross retail incremental amount may not be allocated to the district until the budget agency approves the resolution.

SECTION 12. IC 36-7-13-13, AS AMENDED BY P.L.174-2001, SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 13. (a) If an advisory commission on industrial development designates a district under section 12 **or 12.1** of this chapter or if the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the advisory commission, or the legislative body in the case of a district designated under section 10.5 of this chapter, shall send a certified copy of the resolution or ordinance designating the district to the department of state revenue by certified mail and shall include with the resolution a complete list of the following:

- (1) Employers in the district.
- (2) Street names and the range of street numbers of each street in the district.

The advisory commission, or the legislative body in the case of a district designated under section 10.5 of this chapter, shall update the list before July 1 of each year.

(b) Not later than sixty (60) days after receiving a copy of the resolution or ordinance designating a district, the department of state revenue shall determine the gross retail base period amount and the income tax base period amount.

SECTION 13. IC 36-7-13-15, AS AMENDED BY P.L.192-2002(ss), SECTION 175, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 15. (a) If an advisory commission on industrial development designates a district under this chapter or the legislative body of a county or municipality adopts an ordinance designating a district under section 10.5 of this chapter, the treasurer of state shall establish an incremental tax financing fund for the ~~county~~ **district**. The fund shall be administered by the treasurer of state. Money in the fund does not revert to the state general fund at the end of a state fiscal year.

(b) Subject to subsection (c), the following amounts shall be deposited during each state fiscal year in the incremental tax financing fund established for the ~~county~~ **district** under subsection (a):

- (1) The aggregate amount of state gross retail and use taxes that are remitted under IC 6-2.5 by businesses operating in the district, until the amount of state gross retail and use taxes deposited equals the gross retail incremental amount for the district.



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(2) The aggregate amount of state and local income taxes paid by employees employed in the district with respect to wages earned for work in the district, until the amount of state and local income taxes deposited equals the income tax incremental amount.

(c) The aggregate amount of revenues that is:

(1) attributable to:

(A) the state gross retail and use taxes established under IC 6-2.5; and

(B) the adjusted gross income tax established under IC 6-3-1 through IC 6-3-7; and

(2) deposited during any state fiscal year in each incremental tax financing fund established for a ~~county~~ **district**; may not exceed one million dollars (\$1,000,000) per ~~county~~ **district**.

(d) On or before the twentieth day of each month, all amounts held in the incremental tax financing fund established for a ~~county~~ **district** shall be distributed to the district's advisory commission on industrial development for deposit in the industrial development fund of the unit that requested designation of the district.

SECTION 14. IC 36-7-13-16, AS AMENDED BY P.L.174-2001, SECTION 11, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 16. (a) A unit may issue bonds or other obligations to finance the costs of addressing the development obstacles described in section 12(b)(3), 12(c), 12(d)(3), ~~or~~ 12(e)(2), **or 12.1(a)** of this chapter in the district.

(b) The district bonds are special obligations of indebtedness of the district. The district bonds issued under this section, and interest on the district bonds, are payable solely out of amounts deposited in the industrial development fund under this chapter.

SECTION 15. [EFFECTIVE JANUARY 1, 2003 (RETROACTIVE)]: **IC 6-3.1-19-1.5 and IC 6-3.1-19-2.5, both as added by this act, and IC 6-3.1-19-3, as amended by this act, apply to taxable years beginning after December 31, 2002.**

SECTION 16. **An emergency is declared for this act."**

Delete pages 3 through 6.

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 232 as printed February 7, 2003.)

BORST, Chairperson

Committee Vote: Yeas 13, Nays 2.

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SENATE MOTION

Mr. President: I move that Senators Long and Wyss be added as coauthors of Engrossed Senate Bill 232.

RIEGSECKER

SENATE MOTION

Mr. President: I move that Senator Howard be added as coauthor of Engrossed Senate Bill 232.

RIEGSECKER

SENATE MOTION

Mr. President: I move that Senator Lanane be added as coauthor of Engrossed Senate Bill 232.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Commerce and Economic Development, to which was referred Senate Bill 232, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill do pass.

STEVENSON, Chair

Committee Vote: yeas 11, nays 0.

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